



May 19, 2006

Docket Clerk
Fruit and Vegetable Programs
Agricultural Marketing Service
U.S. Department of Agriculture
1400 Independence Avenue, SW, Stop 0243
Washington, D.C. 20250-0243

Via Facsimile
(202) 690-0102

Dear Sir/Madam:

Re: **Docket No. FV06-1290-1 PR (71 FR 20353, April 20, 2006)**

These comments are in response to the *Federal Register* notice of April 20, 2006 (71 FR 20353), Agricultural Marketing Service's *Specialty Crop Block Grant Program; Notice of Request for Approval of a New Information Collection*.

Introduction

When Congress and the specialty crop industry were working on the Specialty Crop Competitiveness Act of 2004 (P.L. 108-465), one of the objectives for the State Block Grant program was to provide the States with the greatest flexibility in administering the program. WG believes the officials in the State departments of agriculture are closest to specialty crop growers and therefore know how best to deal with the competitiveness problems facing the industry. For this reason, Western Growers urges the Agricultural Marketing Service to minimize any micro-managing of the block grants and permit the States to solve the specialty crop competitiveness problems in the way they deem most appropriate and effective.

Competitiveness

Globalization of markets is taking a heavy toll on U.S. specialty crop growers. Of the numerous free trade agreements entered into by the U.S., only one has proven to provide measurable trade opportunities for specialty crop growers – the U.S./Canadian Free Trade Agreement. While in some instances, individual specialty crops have benefited from other trade agreements, on a macro level the specialty crop trade deficit continues to increase.

One of the chief reasons for the development and enactment of the Specialty Crop Competitiveness Act of 2004 (SCCA) was to help U.S. specialty crop growers become more competitive with foreign specialty crop growers. It is worth noting that many of the foreign growers are heavily subsidized and/or minimally regulated, both in international and domestic markets. While most international trade competition in recent years has been between specialty crop growers in the

Northern and Southern Hemispheres, such competition is increasingly taking place between growers in the West and East (such as China).

Western Growers believes competitive success can be judged by progress in export trade and research initiatives (mechanization, quality, increased production, intellectual property rights, etc.). There are, however, impediments that are beyond the control of the specialty crop producers, and AMS needs to carefully research these impediments (e.g. countries refusing to honor their World Trade Organization responsibilities, like sanitary and phytosanitary barriers; weather; economic conditions; etc.).

Section 1290.4 Eligible grant project

(a) ...Priority will be given to fresh specialty crop projects

Western Growers has serious concerns about proposed *Section 1290.4 Eligible grant project*, which provides for priority to be given to projects relating to “fresh” specialty crops. Western Growers is opposed to this priority designation.

Western Growers, as one of the initial supporters of the SCCA, worked with members of Congress to develop legislative language to allow for broad participation for all types of specialty crops in the SCCA, including processed products. It was the intent of the industry and, we believe, the Congress that all specialty crops, whether fresh or processed, would have equal opportunity to participate in all programs authorized by the SCCA, including the Specialty Crop Block Grants (SCBG). During the period the SCCA was pending in Congress, there were several Congressional hearings at which representatives of specialty crop grower organizations expressed support for all crops - fresh and processed.

Members of Western Growers are involved in the production of fruits, vegetables, and tree nuts; and many of these growers are involved, either directly or indirectly, in producing for the processed market. Some of our members grow for the fresh market and others for the processed market. Many of the crops have a percentage of production that cannot meet the minimum grade for the fresh market, and the practical solution is for the culls to be processed, such as for juice or other products. It is fortunate that growers of fresh and processed specialty crops have worked together in providing an adequate supply to meet the substantial demand for processed products from consumers. Without this partnership, many of the growers would not enjoy an adequate economic return in order to recover the investments needed to produce their crops.

Thus, processed specialty crops are an integral part of our industry and vital to ensuring the specialty crop growers remain competitive in international markets. For example, pistachios are a tree crop that has to be processed (roasted) before being sold to the consumer. In fact, in excess of 99 percent of tree nuts (almonds, hazelnuts, pecans, pistachios and walnuts) are grown for the processed market. Additionally, crops such as figs and apricots are highly perishable, thereby making the dried fig and dried apricot a logical processed product for the consumer.

Many of WG's growers produce for both the fresh and processed markets. These growers are frequently on a rotation program with several crops which includes planting for the fresh and processed markets in the same year.

(b) To be eligible for a grant, the project(s) must be completed three calendar years after the grant agreement prescribed in section 1290.8 is signed. However, for cause, an extension of that deadline may be granted by AMS on a case by case basis with a written request from the State.

Western Growers urges that a contract period for projects longer than three years be allowed without the requirement to obtain specific approval from AMS. In reality, the duration of a particular specialty crop project will depend on other countries' cooperation, research, growing cycles, developing resistant varieties, etc. It is the experience of Western Growers that three years is not a sufficient period of time for many successful projects. We urge AMS to consider a project period of more than three years depending on the nature of the project.

Section 1290.6 Completed application

Section 1290.6 (2) requires a State to submit all of its projects to AMS before receiving approval and funds from AMS. If a percentage of the project applications are denied, then a second State announcement soliciting proposed projects will be necessary if the State is to receive its total allocation. Furthermore, nowhere in the statute does it require the States to submit to the Secretary (i.e. AMS) the State's proposed projects. Under the terms of the statute, Section 101(e) Plan Requirements, AMS may only require that a State shall "... indicate how the grant funds will be utilized to enhance the competitiveness of specialty crops." Continuing further, the statute provides in Section 101(f) Review of Application, "... the Secretary of Agriculture shall ensure that the State plan would carry out the purpose of grant program..." In essence, the statute simply does not require the State to send all of its projects to AMS for approval. If AMS is successful in requiring that all of these projects to be reviewed by AMS, we question if the office has the staff to review these projects. This, WG contends, is best done by the States. WG recommends a broad State application outlining the objectives of the State's competitiveness problems with broad solutions.

Section 1290.9 Reporting and oversight requirements (Supplanting State Funds)

Many States are experiencing budgetary problems, and the State legislators may be tempted to reduce the State department of agriculture's budget by the amount of any block grant funds received under the SCCA. AMS does not have the staff to monitor the potential for supplanting of funds by the States. Accordingly, requiring the States to inform AMS of any budget reductions would be a potential method of determining if a State legislature is violating the statute by reducing the State budget because of the block grants received.

Withheld Funds

It appears from the proposed regulation that a State may not receive the funds if the State does not meet criteria described in Section 1290.6 **Completed application**. There is no mention of how the funds will be distributed if one or more States do not file applications, or if a State's application is denied. The proposed regulations also fail to provide for an appeal by a State should AMS deny an application.

WG recommends that funds not distributed should be credited to the State, and in later years the funds be made available to the State when an acceptable application is made.

Unused Funds

The regulations should provide clear and direct language specifying how USDA will handle funds not used/distributed during the grant period. If a State voluntarily decides not to accept the Block Grant funds, then these funds should be distributed pro rata to all other States.

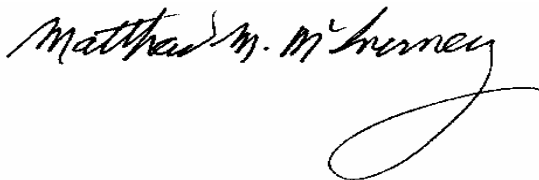
Base Grant

The regulations should provide clear and direct language indicating that the base grant of \$100,000 per State is to be provided to the State only upon successful completion of the application process by that State, as is the case with the proportional allocation of block grants based on a State's specialty crop production.

Multi-state projects

Western Growers supports the eligibility of multi-state projects. We urge AMS to allow post-project approval adjustments among States. It is not always evident to other States the importance of a particular project, and if other States can be persuaded to participate in the project, it will be cost effective for the States and SCBGP.

Respectfully submitted,

A handwritten signature in black ink, reading "Matthew M. McInerney". The signature is fluid and cursive, with a large loop at the end of the last name.

Matthew McInerney
Executive Vice President